OFFICE COST CONTROL: Get Rid of the SACRED COWS!

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To cut office costs, take a sharp look at The Way Things Have Always Been Done.

WHENEVER A PROGRAM for reducing office costs is proposed, it seems to evoke extremes of moral fervor and crusading righteousness. Many a new technique has been hailed as the package solution: reports control, work measurement, integrated data processing, mechanization, and "electronification."

Yet, despite the spiraling number of devices, and despite also an increasing emphasis on cost cutting, companies are spending more money for paperwork than ever before.

The fact is that the new techniques are often used to cut the costs of operations that are either unnecessary or too complicated for the purpose they serve. If we are to cut costs, we've got to get rid of these operations—these "sacred cows" that impede the progress of paperwork.

The "wasted-dollars" mystery

In 1958, the American Management Association held its first "Paperwork for Profits Clinic," directed by Records Management Institute, in which two paperwork cycles were reviewed: 1) The processing of purchase orders through accounts payable; and 2) the processing of customer orders through accounts re-

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ceivable. The participants, who represented leading companies in various industries, were shocked to learn that they were exceeding the standard unit cost for a purchase order—$3.53, broken down this way:

Preparation of purchase order (including purchase requisition)	$1.10
Preparation of receiving report and purchasing follow-up	.43
Preparation of voucher and AP analysis	1.60
Stationery forms (for entire cycle)	.40
TOTAL	$3.53

The companies represented at the clinic had actual unit costs ranging from $5 to $12!

The rest of the clinic was devoted to finding out where the cost leaks for each company occurred. In every case, the mystery of the wasted dollar could be solved. It should be stressed that all the participants were using modern integrated paperwork procedures such as punched tape. Yet many obsolete practices had been integrated into their new systems.

Obsolete practices

Here are some examples:

1. Requisitions for purchase orders were being prepared for everything but standard stock items. Most of the requisitions submitted by the material-control department, however, could have been eliminated —with no loss of control, but with improvement in quality.

2. Acknowledgements were being requested and followed up in every case. This actually hindered the job of expediting and control and made it more expensive.

3. To insure completion, every purchase order was being checked from start to finish, not only in the purchasing and accounts-payable departments, but also in production and material control.

4. The accounts-payable department conducted between 25 and 50 per cent more matching operations than were actually required.

5. Receiving departments wrote, transcribed, or computed far more than the job required (which produced higher costs) and also in some instances more than they were qualified to handle (which introduced greater errors).

These are just a few examples of areas where money could have been saved, without the purchase of any new equipment. And these savings would probably lead to improvement in quality as well.

Yet, in the sophisticated transition from manual to mechanical to punched-card and electronic processing, these obsolete practices were preserved. No wonder the new equipment had not fulfilled its potential promises for cost reduction!

Cows that keep costs up

Buried in the welter of competitive claims for all kinds of duplicating devices, punched cards, and even "plain old interleaved carbon forms" is a whole series of practices that keep up the unit cost, no matter what system is used. Some companies, seemingly following the lemming's law of self-destruction insist on losing money on small orders rather than modify their procedures.

Let's take a look at some areas where getting rid of the sacred cows could make a big difference in cost and quality.

The sacred cow of personnel

Personnel management is one important area. Job specifications for routine, repetitive clerical operations continue to call for bright, ambitious, curious, skilled employees. But if these people are filling monotonous jobs, their brightness may encourage early boredom; their ambition may stimulate a wandering eye for greener pastures; and their curiosity may lead them to question just when all their required skills are going to be used. The result is lowered productivity.

How to solve this problem? There are at least two alternative approaches. Either increase the amount of interest and opportunity in the jobs, or—if these are really routine jobs that lead nowhere—don't insist on hiring overqualified people.

Quality control

Quality control is pretty firmly established in the factory. The production man knows that quality doesn't mean 100 per cent perfection. But in the office, layer upon layer of inspection is imposed, in an effort to reduce errors. These layers of inspection build up impressive statistics on the errors caught each day, but they do little or nothing to eliminate the causes of these errors.

The same quality-control procedures used in plants can work in the office, too, to establish realistic standards for cost and quality. Through such procedures * we can establish just how accurate it pays to be. Also, we can often pinpoint and eliminate the factors that cause most of the errors.

Common sense

Some people, of course, feel that scientific methods of handling paperwork don't hold a candle to the do-it-yourself approach. This approach goes on the assumption that "anyone with common sense" can tackle all problems as long as he's read an article or two on forms control and attended a couple of sessions on filing.

Undoubtedly, there are many instances in which common sense and intuition have saved the day. But how do you use unaided common sense to select from hundreds the one piece of equipment best suited to your needs? How do you use common sense to decide what specifications are needed, and in what order to rank these needs—let alone mak-

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* See *Cut Costs with Quality Control*, by Arthur I. Heim, Jr., SM, January, 1959.

ing sure that you've even considered all the available equipment?

Common sense is a valuable asset —and few people will admit to being without it. It's also invaluable in medicine—but, we hope, a doctor wouldn't try to practice medicine on the strength of common sense alone.

The almighty folder

From the early days of manuscript paper until today, office progress seems to have been measured in terms of how many additional papers we can accumulate within the confines of one folder, and how many additional folders within one records container. We are no longer content with folders revealing only name and number. We have designed complementary records on vertical cards, visible cards, punched cards, and the like.

Now, since we have augmented the folder with so many aids, some spoilsport may suggest modifying the use of the folder itself. But that approach is entirely too radical. It just wouldn't be fair to take a really close look at, let's say, the personnel folder. It's such a handy item. For one thing, the folder holds in perpetuity all the initial reference checks. These letters, which verify what the employee originally told us, would have to be thrown away if we didn't have the handy folder.

We also post all personnel changes onto some kind of payroll or personnel card. Once these changes are approved, processed, and audited, they too would have to be thrown out, were it not for our handy folder. Luckily, about 10 per cent of the folder may be essential—like the last merit rating, letters of commendation, and warnings. And once we have the folder for 10 per cent of the papers, why be choosy—why not include the other 90 per cent, too?

Scores of companies or departments within companies might get by just with the data posted on the personnel card record—but that would be unthinkable. The next thing we knew, many offices would be working only with nonbulky records con-

No Free Rides

OFFICE MANAGEMENT must seek to dispel whatever remains of the misconception that the office is simply "overhead"—a sort of free-riding (or at least, poorly paying) passenger. We who are responsible for office management today must strive to make it an important and contributing partner, working and producing for profit, just as the other departments of our companies are, and operating toward that end in an economically controlled and efficient manner.

—NORMAN J. BROWN
Comptroller, The Steel Company of Canada

veniently near the person maintaining them. There would no longer be those familiar banks of file cabinets. The office would look strange and empty; we might even have to use partitions instead of files to divide the work space. There is such a thing as going too far.

Cows in the files

Nothing typifies the sacred-cow problem as well as our traditional manner of filing records: We read records from top to bottom, but we file them sideways.

This not only causes neck craning—an occupational hazard among file clerks—but also wastes equipment and space.

Reporting

Reporting has always been an area where the sacred cows are well entrenched. The nice part about reporting is that everyone can get into the act. There are the reports top management has asked for, some reports it once asked for and forgot to stop, and some that "have always been prepared."

Distributing reports is the same kind of problem. Since the introduction of carbon paper and duplicating processes, it is always a matter of prestige to see that you get on all the important distribution lists, and a matter of courtesy for the preparer of the report to go along with such requests. Every once in a while, some eager beaver will attempt to cut down his list by sending out a questionnaire about who really needs this report. The resulting list usually ends up longer than ever: Someone who was not on it before suddenly discovers the oversight and demands corrective action.

In dollars and cents, these are large overhead costs that usually grow by default, expand with ambition, and continue with inertia.

Cows and costs

Even the process of cost cutting itself has its sacred cows. In companies where factory-production costs are computed down to each nut and bolt, total paperwork costs are lumped into miscellaneous overhead expenses. The only time we break down, post, and process costs is for items like labor and material.

We'd learn a lot from a cost breakdown: For example, the average company should maintain no more than 2,000 pieces of paper for every person on the payroll. Processing these records at a conservative 20 cents apiece creates an overhead cost for paperwork alone of $400 per year (equipment, supplies, personnel, etc.) for every man on the payroll. Multiply these figures by 10 for accounting offices or by 5 for personnel and purchasing offices that carry out concentrated paperwork operations. There is 65 cents' waste in the average dollar spent for paperwork today.

But you can't go ahead and cut costs without knowing your present costs. You might just as well discuss health in terms of "temperature reduction." Determining how much something *now* costs and how much it *should* cost creates a tangible target and a basis for prompt action by the office manager.

Replacing sacred cows with science

There are many challenging possibilities for analysis and standards improvement, but any such analysis must be in terms of functional requirements that minimize the sacred cows of departmental desires and traditional paperwork "needs."

Scientific records management makes it possible not only to rate paperwork operations within one to two days, but to make improvements in a comparably short time. There's no need to wait for months to know what remains to be done or how to do it. ♦

The Rage for Beige

BEIGE, THE NATION'S 1958 color favorite, will extend its reign throughout 1959, according to Faber Birren, color consultant to Monsanto Chemical Company's Plastics Division. This noted authority predicts that the remainder of the top ten consumer color preferences will be, in order of popularity: sandalwood, pink, oyster white, light green, turquoise, light blue, yellow, light gray, and rose.

As Birren sees it, the shift in consumer color preference is toward the more refined and muted hues; America is still in a "pastel era" that began in about 1956 when the dark and vivid colors fell from favor. Beige and sandalwood rode in on a current trend that is now pulling up subdued tones of rose, brown, and gold. Meanwhile, pink, light gray, and light green—the big three of 1955—are clearly giving ground.

Birren's predictions are based on actual records of consumer sales; since 1946, he has been tabulating and analyzing sales figures on a number of retail products, including paints, wallpapers, fabrics, carpeting, appliances, housewares, and miscellaneous plastic goods.

Here are some of his other observations: Ivory, which in 1946 accounted for more than half of all demand in ready-mixed paints, has fallen badly. Dark green and chartreuse, so popular years ago, have virtually disappeared. Dark gray (charcoal) has risen, descended, and returned in the form of taupe in the past ten years. And orange, despite vigorous promotion, has never made the grade—and probably never will.

—*Manufacturing and Industrial Engineering*